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## THESIS

A DICTIONARY OF  
ACQUISITION AND CONTRACTING TERMS

by

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December, 1989

Thesis Advisor:

Dr. David V. Lamm

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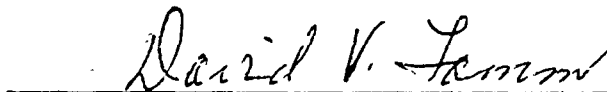
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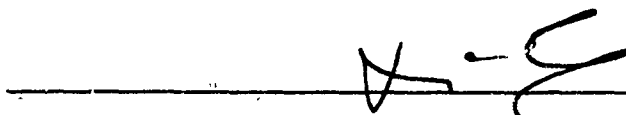
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## ABSTRACT

This thesis is a continuation of research initiated by LCDR Daniel Ryan, SC, USN to establish a basis for defining words and terms used in the field of contracting. It offers a sample of published definitions presently used in Government contracting. A synthesis of different published definitions was produced and the results sent to recognized professionals in the contracting discipline for their opinion. Their feedback was used to arrive at an acceptable definition of the words and terms offered. Concurrent research in this area is being conducted by students at the Naval Postgraduate School, Monterey, California, and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Dayton, Ohio. Follow-on work needs to be done to define other words and terms in the contracting field using the procedure established by LCDR Ryan. The 25 contracting terms for which consensual definitions were established are presented.

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## I. INTRODUCTION

### A. BACKGROUND

The assembly and determination of a common language for contracting and acquisition has been over-due. In order for the Government to speak a common language, all participants must be using and interpreting terms consistently. Until LCDR Daniel Ryan, SC, USN initiated and completed his thesis entitled A Dictionary of Acquisition and Contracting Terms, in September 1988, no consolidated national effort had been undertaken in this regard.

Various texts and schools have attempted to assemble elements of definitions. A lack of consolidated effort has caused a disparity in terms between various sources. The objective of this thesis is to continue LCDR Ryan's effort to research definitions, present findings to professionals, and unify the contracting and acquisition language. This is a joint research effort being conducted by students at the Naval Postgraduate School, Monterey, California and the Air Force Institute of Technology, Wright-Patterson Air Force Base, Dayton, Ohio.

In his thesis, LCDR Ryan presented a discussion to answer the question "Why baseline term meanings?" In summary the discussion focused on the need for effective communication and the importance of a common language in satisfying that need. He indicated that communication is the basic foundation of Federal Government contracting and that communication is impossible without an agreed upon baseline of term meanings. The researcher agrees with this premise and further agrees with LCDR

Ryan's assessment that not only the Federal Government but business and industry as well, must agree on one definition of contracting related words and terms. The researcher also agrees with LCDR Ryan's contention that using a survey is the best way to achieve a consensus. [Ref. 1:pp. 1-6]

This chapter focuses on the research study aspect of the thesis. The thesis is a continuation of the effort begun by LCDR Ryan with no significant changes in scope and methodology. Therefore much of what is included in this chapter is repeated from LCDR Ryan's thesis for the convenience of the reader.

## **B. PROBLEM RECOGNITION**

A fundamental condition often disregarded in the evolution of a discipline is the creation and recording of the meaning of the lexicon used to conduct normal business. This lack of such definitization in the Department of Defense and Federal Government contracting has led to confusion at best. The need to have a standard underlying language which is clearly understood and defined is rudimentary to the future evolution and continued development of any discipline. It is critical to a discipline which aspires to establish itself as a profession. [Ref. 1:p. 7]

## **C. PRIOR RESEARCH**

Research in this area has been conducted primarily by students at the Naval Postgraduate School (NPS), Monterey, California and the Air Force Institute of Technology (AFIT), Wright-Patterson Air Force Base, Dayton, Ohio. LCDR Daniel Ryan SC, USN completed his thesis entitled A Dictionary of Contracting and Acquisition Terms, in September 1988. Captain Mark Canaday, USAF, completed a



similar thesis, in September 1989. LCDR Ryan researched 28 terms and CPT Canaday researched 25 terms.

#### **D. SCOPE AND ASSUMPTIONS**

The scope of the thesis is to provide proposed definitions to 25 terms used in the field of contracting. The basic assumption of this thesis is that there is insufficient agreement on the specific meaning of terms as they apply to contracting. No source of authoritative contracting definitions exists. It was also assumed that consensus was the best method of arriving at an acceptable definition of contracting terms. Any other method would result in an arguably biased product. [Ref. 1:pp. 7-8]

#### **E. RESEARCH QUESTIONS AND OBJECTIVES**

The research question addressed in this thesis is:

To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

During the course of this study, specific objectives included:

1. What are the current published definitions?
2. What agreement can be reached from professionals in the field?
3. What definition of terms can be concluded from research and feedback?
4. What is the present usage in current contract text?

The purpose of this thesis is to achieve the definition of approximately 25 terms which can serve as the foundation of a concise dictionary of terms as they apply to the contracting discipline.

Concurrent with this research effort, two other students at the Naval Postgraduate School are conducting individual research in this area. LT Thomas Prien SC, USN and CPT Richard Florek, USA are also researching 25 terms.

#### **F. RESEARCH METHODOLOGY**

The approach used in this thesis was qualitative. It included a literature review, personal observations, a questionnaire and the researcher's personal experience with the contracting discipline.

The procedure adopted was as follows:

1. Generate a list of candidate terms from previous research in this topic, published contract literature, and regulations.
2. Select a subset of 25 terms for analysis.
3. Research published contracting literature and regulations for published definitions and common use of the terms for the 25 words selected in step 2 above.
4. Synthesize the published definitions found in step 3 above into single definitions and organize them in the form of a questionnaire.
5. Mail out questionnaires to approximately 200 NCMA fellows.
6. Analyze questionnaire responses and arrive at proposed definitions for the 25 terms selected in step 2 above.

The procedural steps listed above are expanded upon in the following paragraphs.

The initial step taken in following the procedure consisted of reviewing the research conducted by LCDR Ryan. As a result of informal telephone interviews with people in industry, academia, professional education, and Federal Government

acquisition and contracting practitioners, LCDR Ryan developed a candidate list of approximately 100 commonly used contracting terms, the meanings of which could be variously construed. LCDR Ryan indicated in his thesis that the list was not intended to be all inclusive but rather it was to serve as a starting point from which to establish the foundation for a dictionary. [Ref. 1:p. 10] From this list, and augmented by selected terms from contracting literature and regulations, the terms to be analyzed were chosen.

The researcher selected 25 terms for analysis. The selected terms included:

- Acquisition Strategy \*
- Administrative Change
- Baselineing
- Certificate of Competency
- Commercial Item
- Configuration Management
- Contractor Furnished Equipment \*
- Cost Principles \*
- Could Cost
- Defective Pricing \*
- Engineering Change Proposal
- Full and Open Competition
- Government Title
- Market Analysis
- Materiality

- Materials Management
- Post Negotiation Memorandum \*
- Price Analysis
- Progress Payment
- Proprietary Data
- Reasonable
- Residual Value
- Risk
- Scrap
- Termination Liability

Those synthesized definitions for the five terms above marked with an asterisk generated the most comment from respondents and are analyzed in Chapter II. The remaining terms are analyzed in Chapter III.

As with LCDR Ryan's thesis, the 25 terms selected for further study were researched for their meanings as expressed in contracting literature, glossaries, American language and law dictionaries, handbooks, textbooks, and Government directives and instructions. A set of synthesized definitions was produced utilizing the meaning most commonly found in the published definitions included in Appendix A. These preliminary synthesized definitions formed the basis of the questionnaire utilized in this thesis.

In his thesis, LCDR Ryan discussed the rationale behind the use of a written questionnaire sent to a select representative sample of contracting professionals. The researcher concurs with LCDR Ryan's reasoning that large scale telephone surveys, or

questionnaires sent to people on mailing lists of Government and industry contracting personnel were impractical to establish consensus. The researcher further concurs with LCDR Ryan's decision to target the membership of the National Contract Management Association (NCMA) and specifically those individuals designated as NCMA Fellows. By surveying people with significant contracting experience and knowledge, it was hoped to represent the whole body of contracting personnel. [Ref. 1:pp. 13-14]

## **G. LITERATURE REVIEW**

Utilizing the methodology established by LCDR Ryan, materials such as published dictionaries, glossaries from textbooks, handbooks, guides, and compendiums, published articles in professional journals, Department of Defense (DOD) and Service directives, and instructions were utilized to provide examples of word meanings as used in practice. Other sources included Federal agency regulations and a review of publications and periodicals related to the field of Federal contracting.

## **H. ORGANIZATION OF STUDY**

As with the research effort conducted by LCDR Ryan, the focus of this thesis is to establish the basis for a concise dictionary of contracting words and terms. Once instituted, the dictionary can grow and develop to serve as a basic underpinning upon which the contracting discipline can rely in carrying out its duties and responsibilities.

Chapter I puts forth background information and discusses the methodology and scope of the research effort. As this is a continuation of the research effort initiated by LCDR Ryan the information included in this chapter repeats or refers the reader to his thesis.

Chapter II is the first of two analysis chapters and focuses on the synthesized definitions which generated the most comment from questionnaire respondents. Each chapter is divided into subsections which begin with an analysis of the questionnaire definition process. Each subsection continues with an analysis of questionnaire responses and concludes with a proposed definition, arrived at through consensus, along with synonyms and antonyms. Chapter III focuses on all remaining terms. Chapter IV contains conclusions, recommendations, answers to the research questions, areas which require further investigation and concludes the thesis effort.

## **II. ANALYSIS OF CONTROVERSIAL TERMS**

### **A. INTRODUCTION**

This chapter is the first of two chapters which deal with the results of the survey. The results are separated into two chapters to facilitate analysis of the responses to the synthesized definitions. This chapter includes those terms which generated the most comment. The remaining terms are analyzed in Chapter III. The terms analyzed are presented in alphabetical order in each chapter.

Each subsection of the following two chapters has the same format. Subsection "a" examines the definition synthesis process. Subsection "b" looks at the results of the questionnaire including respondent input concerning the synthesized definitions. Subsection "c" offers the proposed definition along with recommended synonyms and antonyms to be included in a dictionary of contracting words and terms based upon consensus.

### **B. TERM ANALYSIS**

#### **1. Acquisition Strategy**

##### **a. Definition synthesis:**

The term "acquisition strategy" was not difficult to synthesize. The meaning of the definitions used in practice were characterized by a common theme. Many of the definitions used the same words and phrases.

The definition as synthesized was:

**ACQUISITION STRATEGY:** The conceptual framework for conducting systems acquisition. Through the integration of strategic, technical, and resource concerns, it encompasses the broad concepts and objectives which direct and control the overall development, production, and deployment of a system. It is developed and tailored to unique circumstances of the program.

**b. Results:**

This term generated the most comments. Only ten respondents agreed with the synthesized definition as offered in the questionnaire. Twenty-seven respondents had comments which slightly modified the synthesized definition. Some of the comments or observations concerning this term included:

- Add "Testing" after "Development". Testing needs to be done at several levels/times - Engineering Development, Full Scale Development (Qualification), Production (First Article).
- Delete "systems" in first sentence - implies strategy not needed for other acquisitions.
- ...conducting "systems" and ..."deployment of a system" Was not aware that "AC-ST" applies only to a system and that it encompasses deployment.
- Is "Acquisition Strategy" limited to "Systems Acquisition"? Shouldn't "Acquisition Strategy" be applied when appropriate to something less than a system? To be an honest definition, it should take into account "Political Environment".
- ...conducting "systems" - Should not be limited to systems acquisition. Even a small purchase is the subject of an "acquisition strategy" even if all aspects of that strategy are predetermined by the Federal Acquisition Regulation (FAR) or



other regulations. Definition should also specifically reference the "schedule" which is an integral part of the strategy. ...concepts and objectives "including the projected schedule".

- Delete "systems" from the first sentence. Acquisition strategy is longer than a framework for systems acquisition. There is an Acquisition Strategy even for an imprest fund purchase. I think Acquisition Strategy is a generic term that can/should apply to any acquisition.

Based on the feedback received from the respondents, slight modifications were made to the synthesized definition. The term "systems" was deleted from the first sentence. The phrase "deployment of a system" was revised to "introduction to use of a product or system".

**c. Proposed definition based upon responses:**

**ACQUISITION STRATEGY**

*The conceptual framework for conducting an acquisition. Through the integration of strategic, technical, and resource concerns, it encompasses the broad concepts and objectives which direct and control the overall development, production, and introduction to use of a product or system. It is developed and tailored to unique circumstances of the program.*

- **Synonyms:** *Acquisition planning, acquisition management plan, business strategy plan.*
- **Antonyms:** *Non-strategic, piecemeal acquisitions.*

## **2. Contractor Furnished Equipment**

### **c. Definition synthesis:**

The synthesis for this term was arrived at by combining elements of the definitions used in practice. There were only a few published definitions found by the researcher but their meanings followed a common theme. The definition as synthesized was :

**CONTRACTOR FURNISHED EQUIPMENT:** An item manufactured or purchased by the contractor, which the contractor is required to furnish in order to carry out the requirements of a contract.

### **b. Results:**

Eighteen respondents agreed with the synthesized definition. The term generated comments or observations from 19 respondents. For example:

- It may be already "owned" by the contractor, not manufactured or purchased.
- To furnish should be changed to "to supply" and modify "requirement" to "the specified requirements".
- ...is required by the terms of the contract to furnish in order to meet the requirements of a contract.
- Unnecessary. Sounds like the opposite of the well-known "Government Furnished Equipment". If it's just the item being furnished, why not describe in each case.
- Change "in order to carry out the requirements of a contract" to "as a deliverable end item or as part of a deliverable end item".
- What about leased equipment? If contractor furnishes equipment which is leased, it is not manufactured or purchased.

- Delete "is required". Comment - An item manufactured or purchased by the contractor which the contractor furnishes in order to carry out the requirements of the contract.

**c. Proposed definition based upon responses:**

**CONTRACTOR FURNISHED EQUIPMENT**

*An item manufactured or purchased by the contractor which the contractor is required to provide in order to carry out the requirements of a contract.*

- **Synonyms:** *Contractor acquired equipment.*
- **Antonyms:** *Government furnished equipment.*

**3. Cost Principles**

**a. Definition synthesis:**

The term "cost principles" was not difficult to synthesize. The definitions as used in practice followed the same theme. Some definitions were more detailed than others. The synthesis was mainly the result of combining key words and phrases in order to express that common theme. The definition as synthesized was:

**COST PRINCIPLES:** The regulations which establish rules and policies relating to the general treatment of costs in Government contracts. Cost Principles define the basis for allowability, reasonableness and the concepts of allocability of contractor's costs under cost reimbursement contracts and for the negotiation of fixed price contracts.

**b. Results:**

Fifteen respondents agreed with the synthesized definition of this term. Twenty-two respondents had comments or suggestions. Some of the comments and suggestions included:

- First sentence should be separate definition, under "Cost Regulations". Change second sentence to "The principles defining the ...."

- Modify before "negotiation" in the last line by inserting "price" making the phrase "price negotiations".
- Change the beginning of the definition to the sentence starting "Cost Principles define ...." and end with the first sentence, only change the beginning to "They are contained in regulations which ....". Cost principles are "principles" - not regulations. They are contained in the regulations, etc.
- Principles are not regulations. Suggest starting first sentence "cost principles are embodied in regulations which ...."
- ...allowability including reasonableness and...contractor's costs to be paid under cost and fixed price contracts including changes, final pricing and terminations.
- Delete the word regulations. Policies and procedures which establish guidelines for (a) pricing contracts, subcontracts and modifications to contracts whenever a cost analysis is performed and (b) the determination, negotiation, or allowance of costs when required by a contract clause.

The synthesized definition was only slightly modified in arriving at the proposed definition. The second sentence of the synthesized definition was moved to the beginning of the definition and modified accordingly. The synthesized definition was also modified to reflect the view expressed by many of the respondents that principles are not regulations but rather are contained or embodied in regulations.

c. **Proposed definition based upon responses:**

**COST PRINCIPLES**

*The principles defining the basis for allowability, reasonableness and the concepts of allocability of contractor's costs under cost reimbursement contracts and for the negotiation of fixed price contracts. They are embodied in regulations which establish rules and policies relating to the general treatment of costs in Government contracts.*

- **Synonyms:** *None.*

- **Antonyms:** *None.*

**4. Defective Pricing**

**a. Definition synthesis:**

The researcher found only one published definition for this term. The synthesis was achieved by combining that definition with elements of definitions found for "defective cost or pricing data." The researcher felt this was necessary in order to adequately convey the meaning of the term. The definition as synthesized was:

**DEFECTIVE PRICING:** Result of cost or pricing data which were certified by a contractor to be current, accurate and complete but in fact were not. It entitles the Government to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective cost or pricing data, provided the data were relied upon by the Government.

**b. Results:**

The results of the questionnaire showed that 15 respondents agreed with the synthesized definition. Twenty-two respondents provided comments or suggestions. For example:

- Delete first sentence and substitute "Occurs when the facts upon which the Current Cost and Pricing Data Certificate are found to be incorrect."

- My understanding is that this would be the case even if the purchaser did not ask for the certificate, when the amount was over statutory threshold. Definition should include subcontractors data.
- Not necessary to be certified - law amended in 1986, e.g., if certificate was required by law but not given by contractor the Government still can pursue as if given.
- In the first sentence change "certified" to "claimed". In the second line - change it to "Proof of defective pricing". Not all defective pricing is certified! But Government is still entitled to a reduction - either as fraud or under the certificate.
- There is a need to update the referenced definition in view of recent legislative changes whereby the Government may have a defective pricing claim even in the absence of certification.

Some modifications of the synthesized definition occurred as a result of respondent feedback. In the first sentence, the term "certified" was changed to "claimed" and the term "or subcontractor" was inserted. These changes were made in order to reflect the position that it is possible to have defective pricing that was not certified and that subcontractors as well as prime contractors can be the source of defective pricing.

**c. Proposed definition based upon responses:**

**DEFECTIVE PRICING**

*Result of cost or pricing data which were claimed by a contractor or subcontractor to be current, accurate and complete but in fact were not. It entitles the Government to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective cost or pricing data, provided the data were relied upon by the Government.*

- **Synonyms:** *Defective cost or pricing data*

- **Antonyms:** *None.*

**5. Post Negotiation Memorandum**

**a. Definition synthesis:**

The term "post negotiation memorandum" was not difficult to synthesize despite a lack of published definitions. The researcher found that the term "negotiation memorandum" was most often preceded by the word "price." The researcher combined the elements of the definitions of "price negotiation memorandum" with the concept of the word "post" to arrive at the synthesized definition. The definition as synthesized was:

**POST NEGOTIATION MEMORANDUM:** Documentation of a negotiation which provides a permanent record of the decisions made by the negotiator in determining that the price agreed upon by the Government and the successful offeror was fair and reasonable.

**b. Results:**

This term generated comments and recommendations from 23 respondents. Only 14 respondents agreed with the synthesized definition as offered in the questionnaire. Some of the comments and recommendations included:

- Change "Government" to "buyer". It covers all aspects of the negotiation from objective through agreement and it covers all aspects including technical, performance and price.
- Post negotiation should include more than "price factors"; it's an official record of all substantive items which the negotiator deems important to the agreement.
- Documentation record of a negotiation which provides a permanent record of the decisions made by the negotiator in determining that the contract price agreed upon was fair and reasonable. The use of a post negotiation memorandum is also applicable to non-government contract management in things like subcontract administration between a prime and sub.
- Add "and contract terms" after "that the price". Change "was" to "were" before the word "fair".
- Documentation of any negotiation in order to provide a permanent record of the decisions made by the negotiator in determining that the price agreed upon by the Government and offeror(s) was fair and reasonable or not. Not necessarily restricted to successful offerors.
- It has nothing to do with "fair and reasonable" it is a written record of what was discussed and agreed to. "Fair and reasonable" considerations cloud and distort the record which should speak for itself.

The synthesized definition was only slightly modified in arriving at the proposed definition. The term "Government" was changed to "buyer" because the definition does not apply solely to the Government.



**c. Proposed definition based upon responses:**

**POST NEGOTIATION MEMORANDUM**

*Documentation of a negotiation which provides a permanent record of the decisions made by the negotiator in determining that the price agreed upon by the buyer and the successful offeror was fair and reasonable.*

- **Synonyms:** *Price negotiation memorandum, PNM, record of contract action.*
- **Antonyms:** *None.*

**C. SUMMARY**

This chapter has presented the analysis of controversial terms. A discussion of the definition synthesis process, presentation of the questionnaire results, and the proposed definitions based on the questionnaire results were included. The following chapter will present the remaining terms.

### **III. ANALYSIS OF ALL REMAINING TERMS**

#### **A. INTRODUCTION**

This chapter is the second of two chapters which deal with the results of the questionnaire. This chapter includes the remaining terms which were not covered in the previous chapter. The terms analyzed are presented in alphabetical order.

The format remains unchanged from the previous chapter. Subsection "a" examines the definition synthesis process. Subsection "b" looks at the results of the questionnaire. Subsection "c" offers the proposed definition along with recommended synonyms and antonyms.

#### **B. TERM ANALYSIS**

##### **1. Administrative Change**

###### **a. Definition synthesis:**

This term was not difficult to synthesize. Published definitions do not differ from one another and the meaning is not ambiguous. The definition as synthesized was:

**ADMINISTRATIVE CHANGE:** A unilateral contract change, in writing, that does not affect the substantive rights of the parties (e.g., a change of address or the appropriation data).

###### **b. Results:**

Nineteen respondents agreed with the synthesized definition of this term. Eighteen respondents offered comments. Some of the comments included:

- Do not believe the words "in writing" are needed. No Government contract can be changed except in writing. Lets be sure "change of address" can not be

construed to mean change of place of performance which could easily be a major change.

- Delete "unilateral" from first sentence, and insert "...change, usually in writing, made unilaterally." Also it's only unilateral if initiated by the Government, which is usually the case. A contractor can also request such a change (e.g., change in address). Further, good practice usually dictates a bilateral amendment to insure contractor has received notice and agrees that the change is only administrative in nature.
- How about change of mailing address (legal implication) "Notice is valid if mailed to ...." Is that administrative? And can it be accomplished unilaterally? See your lawyer.
- An administrative change can be bilateral as well as unilateral.
- A unilateral contract modification, in writing, that does not affect the terms and conditions of the contract.
- A unilateral contract change issued by a buying agency, in writing, that does not affect the substantive rights of the parties (e.g., a change of address or the appropriation data).

**c. Proposed definition based upon responses:**

**ADMINISTRATIVE CHANGE**

*A contract change (either unilateral or bilateral), in writing, that does not affect the substantive rights of the parties (e.g., a change of address or the appropriation data) or the contract price.*

- **Synonyms:** *Unilateral modification or unilateral supplement, administrative modification.*
- **Antonyms:** *Contract amendments.*

## **2. Baselining**

### **a. Definition synthesis:**

The synthesis of the term "baselining" was mainly the result of combining the elements of the two published definitions the researcher found. This was done because the meaning of the two definitions had a common theme yet differed slightly in their descriptions. The definition as synthesized was:

**BASELINING:** A process whereby all managers involved in a program entering full-scale development or production review and approve critical program parameters including cost, schedule, and performance. Once approved, the program manager has the authority to manage the program within the specified baseline parameters.

### **b. Results:**

The feedback from the questionnaire indicated 26 respondents agreed with the synthesized definition. Eleven respondents offered comments and recommendations. Some of those comments and recommendations included:

- Too broad. Perhaps change "authority" to "guidance".
- Way to restrictive - can occur in other types of programs. I have seen and used at least 2 or 3 other definitions. No consensus on this one.
- Delete "entering full scale development or production". Wouldn't baselining be appropriate at earlier stages of the acquisition as well?
- A process whereby all managers involved in a program entering full-scale development or production help establish critical program parameters including cost, schedule, and performance. " Once established the program manager has full authority to manage the ...."

- Do not believe the second sentence should be part of a definition. It explains authority which varies from place to place.
- Baselining is often an iterative process. Done when entering full scale development and production, the result is a carefully thought out starting point to measure potential changes against.

**c. Proposed definition based upon responses:**

**BASELINING**

*A process whereby all managers involved in a program entering full-scale development or production, review and approve critical program parameters including cost, schedule, and performance. Once the baseline is approved, the program manager has the authority to manage the program within the specified parameters.*

- **Synonyms:** *Zero basing.*
- **Antonyms:** *None.*

**3. Certificate of Competency**

**a. Definition synthesis:**

This term was not difficult to synthesize given that this is not a concept but rather a tangible item. The published definitions all conveyed the same theme and the synthesis was a matter of word smithing. The definition as synthesized was:

**CERTIFICATE OF COMPETENCY:** A written certificate from the Small Business Administration stating that a small business, with respect to all elements of responsibility (including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity), is able to receive and perform a specific Government contract.

**b. Results:**

Twenty-six of the 37 questionnaires returned indicated agreement with the synthesized definition. Eleven respondents offered comments and recommendations, none of which included major changes to the synthesized definition. For example:

- Change "perseverance, and tenacity" to "and experience" How does one measure tenacity?
- ...and tenacity), is authorized or certified to receive and deemed capable of performing.
- Add to the end "The issuance of a Certificate of Competency (COC) by the Small Business Administration is binding on the Contracting Officer." Also the last sentence is a critical aspect of COC's.
- Recommend using FAR 19.601 (a).
- Remove "receive and" from the definition.

**c. Proposed definition based upon responses:**

**CERTIFICATE OF COMPETENCY**

*A written certificate from the Small Business Administration stating that a small business, with respect to all elements of responsibility (including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity), is able to receive and perform a specific Government contract.*

- **Synonyms:** *None.*
- **Antonyms:** *Not responsible.*

#### **4. Commercial Item**

##### **a. Definition synthesis:**

This term had many published definitions of which the majority used the same descriptions and phrases. The theme of all the definitions was similar thus making the definition easy to synthesize. The definition as synthesized was:

**COMMERCIAL ITEM:** Supplies or services regularly used for other than Government purposes and sold or traded to the general public in the course of normal business operations.

##### **b. Results:**

This term generated 19 agreements with the synthesized definition. Eighteen respondents provided comments and recommendations, a selection of which follow:

- Any item sold in substantial quantities to the general public.
- Add "...public in substantial quantities..."
- Change to - Supplies or services sold or traded to the general public pursuant to the normal conduct of business. Why do you need "regularly used for other than government purposes"?
- "for other than Government purposes" Error - you've eliminated in your definition anything used by Government. Can't Government use commercial items? Sure it can - e.g., toilet paper - just rephrase definition more carefully.
- Change "Supplies or services regularly used for other than Government purposes and" to "A product". Also add to the end "at prices based on established catalog or market prices". The FAR does not specify "services" as a commercial item or "product".

- Suggest these changes because the implication is that Government does not buy commercial items. "Supplies or services regularly sold or traded in substantial quantity to the general public in the course of normal business operations. As may be evidenced by published catalogs and price lists."

A modification to the synthesized definition occurred as a result of respondent feedback. There was a significant number of comments which questioned the use of the phrase "for other than Government purposes". It was noted that the Government can and does use many items as sold to the general market place (e.g., pencils, toilet paper, etc.). The proposed definition deletes the phrase in order to avoid eliminating all items used by the Government. If an item is used for a specific Government purpose it will not meet the commercial item criteria and the integrity of the definition remains.

**c. Proposed definition based upon responses:**

**COMMERCIAL ITEM**

*Supplies or services regularly sold or traded in substantial quantity to the general public in the course of normal business operations.*

- **Synonyms:** *Off-the-shelf, commercial product.*
- **Antonyms:** *Military specific equipment.*



## **5. Configuration Management**

### **a. Definition synthesis:**

The term "configuration management" was not difficult to synthesize. The published definitions conveyed a common theme and in the majority of cases the exact wording. The synthesis was mainly a matter of incorporating the common elements found in the definitions with any unique words or phrase. The definition as synthesized was:

**CONFIGURATION MANAGEMENT:** A discipline applying technical and administrative direction and surveillance to identify and document the functional and physical characteristics of an item or system, control any changes to such characteristics and record and report change processing and implementation status.

### **b. Results:**

Feedback from the questionnaire indicated 29 respondents were in agreement with the synthesized definition. Comments were received from eight respondents. Some of the comments included:

- Add "designate" before identify.
- Suggest deleting this phrase for clarity - "applying technical and administrative direction and surveillance".
- Add to the end "Configuration management also encompasses the management of Interface Control Documentation where the item or system interacts with other items or systems."
- Change first word to "That". Insert "control" after "direction" and delete the word "control" after the word system.

- If this is what "Configuration Management" is, it does everything but manage. Perhaps the current implementation of Configuration Management should be examined to see if the goal is being achieved. A good subject for a paper?

**c. Proposed definition based upon responses:**

**CONFIGURATION MANAGEMENT**

*A discipline applying technical and administrative direction and surveillance to identify and document the functional and physical characteristics of an item or system, control any changes to such characteristics and record and report change processing and implementation status.*

- **Synonyms:** None.

- **Antonyms:** None.

**6. Could Cost**

**a. Definition synthesis:**

This term was difficult to synthesize because of a lack of published definitions. The researcher found only one reference which offered a definition for this term. The synthesis was based on the published definition and the researcher's input. The definition as synthesized was:

**COULD COST:** A concept of contract pricing that involves a cooperative government and industry effort to minimize or eliminate the non-value, added work done by a contractor.

**b. Results:**

This term generated a number of comments. Only 19 respondents agreed with the synthesized definition. Eighteen respondents had comments or observations on the synthesized definition. For example:

- This a new term for me. I thought we always tried to eliminate non-value-added work. Is this related to "should cost" (?) or "no-value added".

- Concept of contract pricing that examines the contract requirements through a cooperative government and industry effort to minimize cost. Why should we ever pay for this?
- A concept of pre-award contract pricing that involves a cooperative buyer and seller effort to minimize or eliminate the non-value, added work done by a seller. Alternatives are examined so that best buy decisions can be made.
- Drop "the non-value, added work done by the contractor" and replace with "unneeded work". Could cost identifies Government requirements that are not needed and would otherwise increase the cost.
- Add at the end "or requested by the Government."

The synthesized definition was only slightly modified in arriving at the proposed definition. The terms "Government" and "contractor" were replaced with "buyer" and "seller" respectively. This term does not necessarily apply only to Government contracts.

**c. Proposed definition based upon responses:**

**COULD COST**

*A concept of contract pricing that involves a cooperative buyer and seller effort to minimize or eliminate the non-value, added work done by a seller.*

- **Synonyms:** *Value engineering, Total Quality Management.*
- **Antonyms:** *Should cost, will cost.*

## **7. Engineering Change Proposals**

### **a. Definition synthesis:**

The term "engineering change proposal" was not difficult to synthesize. The published definitions were characterized by a common theme and in many cases the same words and phrases. The synthesis was mainly a practice of incorporating the common elements and descriptions. The definition as synthesized was:

**ENGINEERING CHANGE PROPOSAL:** A document which proposes a change in the physical or functional characteristics of a system or item. Requires revision to contract specifications or engineering drawings. Includes both a proposed engineering change and the documentation by which the change is described and suggested.

### **b. Results:**

Seventeen respondents agreed with the synthesized definition. Another 20 respondents had comments or recommendations, a selection of which follow:

- Can also propose change in design, test scheme, etc.
- If "physical" means form or fit then the definition is correct.
- Includes identification of applicable requirements for price and delivery adjustments. The engineering change proposal should present a complete picture of all factors involved.
- Change "physical" to "design", and "functions" to "performance", and "characteristics" to "specifications".
- Delete "change" in the third sentence and delete "described and suggested" from the last line. A document which proposes a change in the physical or functional characteristics of a system or item. Requires revision to contract specifications or engineering drawings. Includes both proposed engineering drawings and the

contractual documentation by which the change is to be incorporated into the contract.

Respondent feedback prompted some changes to the synthesized definition. The phrase "if accepted by the buyer" was added after "drawings" because an engineering change proposal not accepted would not require revision. The phrase "by which the change is described and suggested" was deleted for clarity purposes.

**c. Proposed definition based upon responses:**

**ENGINEERING CHANGE PROPOSALS**

*A document which proposes a change in the physical or functional characteristics of a system or item. It requires revision to contract specifications or engineering drawings, if accepted by the buyer. It includes both a proposed engineering change and its documentation.*

- **Synonyms:** *Class I change, value engineering change proposal.*
- **Antonyms:** *Class II change.*

**8. Full and Open Competition**

**a. Definition synthesis:**

This term was easy to synthesize. The published definitions did not differ from each other. The synthesis was a process of incorporating the published definitions. The definition as synthesized was:

**FULL AND OPEN COMPETITION:** All responsible sources are eligible to compete, to submit sealed bids or competitive proposals as required by the procurement.

**b. Results:**

Twenty four of the 37 questionnaires returned indicated agreement with the synthesized definition. Thirteen respondents offered comments and observations. For example:

- Change "required" to "specified".
- Delete "responsible". "Responsible" and "Responsive" are usually determined after submission of bids or proposals.
- Change "eligible" in the first sentence to "permitted".
- Change "eligible" in the first sentence to "permitted or allowed".
- The term "permitted" or "allowed" should be substituted for "eligible". The "full and open competition" process allows/permits a responsible source to compete, but does not qualify or determine his eligibility.
- Delete "responsible" from the first sentence. All qualified sources are eligible to compete - to submit sealed bids or competitive proposals as required by the procurement.

The synthesized definition was only slightly modified in arriving at the proposed definition. The term "eligible" was changed to "permitted."

**c. Proposed definition based upon responses:**

**FULL AND OPEN COMPETITION**

*All responsible sources are eligible to compete and submit sealed bids or competitive proposals as required by the procurement.*

- **Synonyms:** *Unrestricted competition.*
- **Antonyms:** *Sole source, limited competition.*

## **9. Government Title**

### **a. Definition synthesis:**

This term was difficult to synthesize because the researcher found no published definitions. The researcher reviewed case law in an attempt to ascertain the meaning of the term. While no specific references to the term's definition were found, the researcher felt he was able to ascertain the thrust of the term. The definition as synthesized was:

**GOVERNMENT TITLE:** The Government's vested right to the ownership and possession in real or personal property.

### **b. Results:**

This term generated 15 comments from the respondents. Twenty-two respondents agreed with the synthesized definition as offered in the questionnaire. Some of the comments included:

- Insert "ultimate" before "possession". The property may be in the possession or control of a contractor.
- Possession could be affected by other circumstances, such as a contract commitment to leave the property in the hands of a manufacturer for the production of goods.
- Add to the end - "including intellectual property".
- The Government's legal right to the ownership and possession of real or personal property.
- The Government's right of ownership in real or personal property. Such title may be perfected or may be merely security title to property in the possession of the contractor or others.

The synthesized definition was modified slightly in arriving at the proposed definition. There were a number of comments which addressed the issue of "possession". The common theme of those comments was that the Government could have title without actual possession of the real or personal property. The phrase "The right of possession may or may not be executed." was added for clarity purposes.

**c. Proposed definition based upon responses:**

**GOVERNMENT TITLE**

*The Government's vested right to the ownership and possession of real or personal property. The right of possession may or may not be executed.*

- Synonyms: *None.*

- Antonyms: *None.*

**10. Market Analysis**

**a. Definition synthesis:**

The term "market analysis" was not difficult to synthesize. The researcher did not find many published definitions but those that were found conveyed a common theme. The synthesis consisted mainly of combining key words and phrases from the definitions. The definition as synthesized was:

**MARKET ANALYSIS:** Analysis to measure the extent and nature of a market and determine its characteristics (e.g., product availability, market alternatives, prices, trends).

**b. Results:**

The feedback from the questionnaire indicated 29 respondents agreed with the synthesized definition. Only eight comments were received. For example:



- Add as an example "source identification".
- Should include "ability to compete".
- Analysis which measures the extent and nature of a market and determines its characteristics (e.g., product availability, market alternatives, prices, trends, and degree of competition).
- Delete "Analysis to" and start with "Measurement of". Also change "determine" to "determination of". Add "technology" to the end. The above is from the standpoint of seller. From the standpoint of a buyer - study of the what, when, why, who, from, and how people buy to determine the most suitable approach to procuring supplies and services.
- To me market analysis is not the analysis of a "market area", but rather the potential marketability of a particular product or service to be supplied by the firm proposing to market it.
- Analysis to measure the availability of commercial products and to identify such market practices as warranty provisions, distribution, and support and availability.

**c. Proposed definition based upon responses:**

**MARKET ANALYSIS**

*Analysis which measures the extent and nature of a market and determines its characteristics (e.g., product availability, market alternatives, prices, trends).*

- **Synonyms:** *Market research, market survey.*
- **Antonyms:** *None.*

## **11. Materiality**

### **a. Definition synthesis:**

This term was difficult to synthesize. Many of the published definitions offered descriptions such as "something material". The researcher did not feel that such a description adequately defined the term. The researcher found that only one published definition provided more detailed and substantive descriptions. The definition as synthesized was:

**MATERIALITY:** The measure of worth or significance of an item in relation to other items.

### **b. Results:**

Of the 37 respondents, 22 were in agreement with the synthesized definition. Comments and observations were received from 15 respondents. Some of the comments and observations included:

- Delete "in relation to other items". An item may be material or have a measure of value regardless of whether there are other items to measure it against.
- Materiality is, I believe, not a relative concept but an "absolute" concept. For example, a "material" breach of a contract may have less significance to one or both parties to a contract than a non-material breach. Failure to make timely payment is a material breach but may not be as significant (if payment is to be made eventually) a non-material change in performing personnel.
- Question the need - otherwise no comment.
- Not the "measure...significance" but the "pertinence."
- A concept used under Cost Accounting Standards and defective pricing to determine whether an action by the contractor has had a significant impact on

cost or price to the Government, and if a contractual adjustment or other consideration is warranted.

While the majority of the respondents agreed with the synthesized definition, some modification to the definition did occur as a result of the feedback. The modification was made in order to amplify the synthesized definition. The phrase "and/or relevant comparators" was added to the end of the synthesized definition along with the sentence "Measure can be in terms of the nature of the item or its size".

**c. Proposed definition based upon responses:**

**MATERIALITY**

*The measure of worth or significance of an item in relation to other items and/or relevant comparators. Measure can be in terms of the nature of the item or its size.*

- **Synonyms:** *Significance, value, pertinence*
- **Antonyms:** *Immaterial.*

**12. Materials Management**

**a. Definition synthesis:**

There were many published definitions for this term. The definitions as used in practice all followed a common theme. However, they were also quite wordy in their descriptions. The difficulty the researcher had was in trying to make the synthesized definition as succinct as possible. This was accomplished through the process of word smithing. The definition as synthesized was:

**MATERIALS MANAGEMENT:** An integrated management approach to the complete life cycle of material flow from the raw material state to the finished product state.

**b. Results:**

This term generated only nine comments. Twenty-eight respondents agreed with the synthesized definition. Examples of the comments included:

- Don't believe you should limit this to raw material state.
- Definition should identify some of the sub-elements between raw material and finished product. Is purchasing management part of the definition? Source inspection? Income Inspection? Storage? Inventory? Scrap accountability?
- Add - "... life cycle of an item's material...."
- Doesn't it also cover the logistics of inventory and shelf life?
- Add "organizationally" before "integrated". The definition should address the fact that it includes all functions of procurement, inventory control, managements standards, and quality control and surplus property disposition.

**c. Proposed definition based upon responses:**

**MATERIALS MANAGEMENT**

*An integrated management approach to the complete life cycle of an item's material flow from the raw material state to the finished product state.*

- Synonyms: *None.*
- Antonyms: *None.*

**13. Price Analysis**

**a. Definition synthesis:**

The term "price analysis" was easy to synthesize. All of the published definitions followed a common theme and most used the same words and phrases in their descriptions. The definition as synthesized was:

**PRICE ANALYSIS:** The process of examining and evaluating a proposed price on the basis of data independent of that provided by the contractor. Performed without evaluation of the separate cost elements and proposed profit (or fee). A method which utilizes certain comparisons and yardsticks, catalogs, and estimates.

**b. Results:**

Feedback from the questionnaire indicated 23 respondents agreed with the synthesized definition. Comments were received from the remaining 14 respondents, a selection of which follows:

- And is required for all acquisition actions.
- Add - past prices and marketplace.
- Change "contractor" to "offeror".
- Add "... comparisons of competitive price quotes, prior quotes or contract prices ...."
- Change beginning of second sentence to "It is performed". Change last sentence to "This method utilizes ..."
- Change "utilizes" to "uses" in the last sentence. Agree (however, prefer simpler English).
- May not be completely independent of data provided by the contractor. The contractor may contribute to "pricing" data.

The synthesized definition was only slightly modified in arriving at the proposed definition. The term "contractor" was changed to "offeror." The phrases "competitive price quotes" and "prior quotes or contract prices" were added to the last sentence.

**c. Proposed definition based upon responses:**

**PRICE ANALYSIS**

*The process of examining and evaluating a proposed price on the basis of data independent of that provided by the offeror. It is performed without evaluation of the separate cost elements and proposed profit (or fee). This method uses comparisons of competitive price quotes, prior quotes or contract prices, yardsticks, catalogs, and estimates.*

- **Synonyms:** *Parametric estimating.*
- **Antonyms:** *Cost analysis.*

**14. Progress Payment**

**a. Definition synthesis:**

All of the published definitions found by the researcher were virtually the same. As a result, the definition was not difficult to synthesize. The definition as synthesized was:

**PROGRESS PAYMENT:** Payment made to contractors under a contract on the basis of cost incurred, percentage of completion accomplished, or upon a specified stage of completion.

**b. Results:**

This term generated a number of comments. Seventeen respondents were in agreement with the synthesized definition while 20 respondents provided comments and observations. Some of the comments or observations regarding this term included:

- or period of time (e.g., monthly on service contracts)
- Change first line to - " Payment made to a contractor on the basis of cost ...."
- Questioning "under a contract" - Also add "or" after "incurred" and add "contract" before "completion".

- Interim payment made to a contractor under contract conditions on the basis of actual contract go-ahead costs incurred, percentage of completion accomplished, or upon a specified stage of completion as applicable.
  - This implies a rigidity of application (incurred percentage completion, specified stage) that does not and should not exist. I'd refer to "agreed upon stages of progress" and drop the rest.
  - Change the first line "...contractors during the performance period of the contract based on cost...."
  - Payment made to contractors under a contract on the basis of cost incurred.
- Progress payments are treated as a type of Government financing and are liquidated upon delivery of the product (at which time profit is also paid).

The synthesized definition was only slightly modified in arriving at the proposed definition. The phrase "other than a cost reimbursement" was inserted in the first line for clarity. The phrase "as applicable" was added to the last sentence.

**c. Proposed definition based upon responses:**

**PROGRESS PAYMENT**

*Payment made to a contractor, under other than a cost reimbursement contract, on the basis of cost incurred, or percentage of completion accomplished, or upon a specified stage of completion as applicable.*

- **Synonyms:** *Interim payment.*
- **Antonyms:** *Advance payment.*

## **15. Proprietary Data**

### **a. Definition synthesis:**

This term was difficult to synthesize due to a lack of published definitions. The researcher felt the concept of "data" was relatively straight forward. The researcher incorporated key concepts found in definitions of "proprietary" and "proprietary rights" into the synthesized definition. The definition as synthesized was:

**PROPRIETARY DATA:** Data which describes technical processes, tools, or mechanisms that belong to an owner as a result of authorship, invention, or discovery at private expense.

### **b. Results:**

Twenty one of the 37 respondents agreed with the synthesized definition as offered in the questionnaire. Sixteen respondents provided comments and recommendations, a selection of which follow:

- Could be purchased also.
- Add to the very end - "or purchased rights". Proprietary data are data that its owners wish to keep away from others and forbid the unauthorized use thereof.
- Not complete enough. Cost data, for example, can be considered proprietary.
- Add to the end - "plus such administrative, planning and financial data which an owner considers essential to the ongoing well-being of his endeavor and the revelation of which would be detrimental to his competitive position".
- Add to the first line - "Data which is protected by the owner and which describes ...."
- Add to the end - "Disclosure of this data is not authorized without the owners consent."



Some modifications of the synthesized definition occurred as a result of respondent feedback. The phrase "or through purchased rights" was added to the end of the definition. The phrase " private business information" was added to encompass such information as cost data.

**c. Proposed definition based upon responses:**

**PROPRIETARY DATA**

*Data which describes technical processes, tools, mechanisms, applications, or private business information that belong to an owner or entity as a result of authorship, invention, or discovery at private expense or through purchased rights.*

- **Synonyms:** *Patent, copyright, license.*
- **Antonyms:** *Public domain.*

**16. Reasonable**

**a. Definition synthesis:**

The term "reasonable" was not difficult to synthesize. The published definitions for "reasonable cost", "reasonable price", and "reasonable care" provided the rough framework for the synthesized definition. The definition as synthesized was:

**REASONABLE:** Based on the exercise of a prudent person's judgement. Agreeable to reason or sound judgement. Not immoderate or excessive.

**b. Results:**

Twenty-three respondents agreed with the synthesized definition. Comments or observations were received from 14 respondents. For example:

- Add to the end - "Must be tempered based on the instant situation."
- Should refer to the circumstance surrounding the judgment.

- Based on logic and the exercise of a prudent person's sound judgement under the circumstances. Agreeable to reason or sound judgement. Not immoderate, excessive, arbitrary, capricious, or fraudulent.
- Objective and subjective standards of reasonableness should consider the context of the action, inaction or conduct under review.
- First sentence should start with "Acceptable ...."

The synthesized definition was modified to reflect the respondent's comments which indicated that "reasonable" must consider the circumstances surrounding the judgment. Accordingly, the phrase "taking into consideration the circumstances" was added to the second sentence.

**c. Proposed definition based upon responses:**

**REASONABLE**

*Based on the exercise of a prudent person's judgment. Agreeable to reason or sound judgment taking into consideration the circumstances. Not immoderate or excessive.*

- **Synonyms:** *Fair, just, reasonable cost.*
- **Antonyms:** *Unreasonable, excessive.*

**17. Residual Value**

**a. Definition synthesis:**

This term was not difficult to synthesize. Its meaning is not ambiguous and the meanings of the published definitions follow a common theme. The definition as synthesized was:

**RESIDUAL VALUE:** The scrap value of a tangible capital asset at the end of its economic life.

**b. Results:**

Feedback from the questionnaire indicated 21 of the 37 respondents agreed with the synthesized definition. Sixteen respondents provided comments or recommendations, a selection of which follows:

- An item can have scrap value, whether or not it is a capital item. Delete the word "capital" from the first sentence.
- Could include more than scrap value. Item can have utility at the end of its economic life (end of economic life is defined as fully depreciated amount).
- Everything has some residual value even an ex-spouse. Do we want to limit our definition to "Tangible Capital Asset"?
- The value of a tangible asset remaining at the end of its planned economic life. Not restricted to capital assets or characterized as scrap.
- Substitute word "remaining" for "scrap" and "useful" for "economic".
- Change the beginning to "The salvage or scrap value...."
- The net proceeds or fair value of a tangible capital asset at the end of its economic life or upon disposition.

**c. Proposed definition based upon responses:**

**RESIDUAL VALUE**

*The remaining value of a tangible asset at the end of its economic life.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

## **18. Risk**

### **a. Definition synthesis:**

This term was very difficult to synthesize. The many published definitions provided the basic framework for the synthesis process. The researcher did not want the synthesized definition to be laced with technical jargon yet could not ignore the common theme found in the definitions, namely the concepts of uncertainty and probability. The definition as synthesized was:

**RISK:** The element of uncertainty in an undertaking. It is the function of the probability of consequential events occurring and the consequences of the event on the objectives.

### **b. Results:**

This term generated only 12 comments. Twenty-five respondents agreed with the synthesized definition as offered in the questionnaire. Some of the comments concerning the term included:

- Delete "consequences" substitute "causal".
- Since probability is never 100%, there is always risk. Use "chances" or "likelihood" rather than "probability" to keep the mathematicians out of it. Risk implies negative results. Your definition allows room for consequential events to occur which have favorable affect on the objectives. Is risk always negative?
- Add "...occurring and the magnitude of the consequences ...."
- Change "element" to "degree". The second sentence is "High Fog Index!" This may be true, but will it convey real meaning/understanding to the average professional. The difference between certainty and uncertainty. The probability of accomplishment/completion of a contemplated action.

- Delete the last sentence. Usually associated with a contractor's profit in that the more risk associated with the requirement, the higher the profit potential.

The synthesized definition was modified slightly in arriving at the proposed definition. The term "element" was changed to "degree." The term "probability" was changed to "likelihood." It was recommended that the second sentence be deleted. This was not done because the majority of respondents supported the synthesized definition.

**c. Proposed definition based upon responses:**

**RISK**

*The degree of uncertainty in an undertaking. It is a the function of the likelihood of consequential events occurring and the consequences of the events on the objectives.*

- **Synonyms:** *Contract cost risk*
- **Antonyms:** *None.*

**19. Scrap**

**a. Definition synthesis:**

The term "scrap" was not difficult to synthesize. The published definitions found by the researcher followed a common theme and did not differ from one another to a significant degree. The definition as synthesized was:

SCRAP: Material or part that has no value except for its basic material content.

**b. Results:**

Twenty three of the respondents agreed with the synthesized definition of this term. Comments and recommendations were received from only 14 respondents. Some of the comments and recommendations included:

- Add "usually associated with waste and spoilage".

- Material or part that has no known value except for its basic material content.
- Material or part that is a result of a production process and beyond any rework possibilities and that has no value except for its basic material content or add a value in a secondary market.
- Material, part, component, or system that is damaged, defective or deteriorated or excess to needs and has no value except for its basic material content.
- Would a change from "its basic material content" to "its recoverable material content" better represent the reality?
- I agree! I hope that confusion does not develop over the use of this term and Residual Value.

The synthesized definition was only slightly modified in arriving at the proposed definition. The phrase "material or part" was changed to "Item, thing, or part" for clarity.

**c. Proposed definition based upon responses:**

**SCRAP**

*Item, thing, or part that has no value except for its basic material content.*

- Synonyms: *Intrinsic value.*
- Antonyms: *Extrinsic value.*

**20. Termination Liability**

**a. Definition synthesis:**

The term "termination liability" was not difficult to synthesize. It's meaning is relatively straightforward. The definition as synthesized was:

**TERMINATION LIABILITY:** The maximum cost the Government would incur if a contract is terminated.

**b. Results:**

Twenty two of the 37 respondents agreed with the synthesized definition of this term. Only 15 respondents provided comments or observations. Some of the comments or observations included:

- Maximum potential cost.
- Substitute "Buyer" for "Government" - could include prime or any tier sub. Emphasis should be an amount paid rather than cost incurred.
- Change "Government" to "Buyer".
- It would seem that the word "liability" is more applicable to a terminated contractor - the Government is more vulnerable than liable. Also consider how the definition applies to default as compared to convenience.
- The estimated cost the Government would incur if a contract is terminated for convenience. The termination liability is invariably an estimate. In a cost-type arrangement (which arises even in a fixed price termination for convenience) the final cost is subject to final rate negotiations.
- Add "for convenience" to the end. Should differentiate from default termination.
- The maximum amount the Government would be obligated to pay in the event of a complete termination. This may include cost incurred, profit or fee, subcontractor claims and termination settlement costs.

Some modifications occurred as a result of respondent feedback. The term "Government" was changed to "buyer" to encompass the prime contractor and subcontractor relationship as well as the Government - prime contractor relationship. The term "is" was changed to "were."

**c. Proposed definition based upon responses:**

**TERMINATION LIABILITY**

*The maximum cost the buyer would incur if a contract were terminated.*

- Synonyms: *None.*

- Antonyms: *None.*

**C. SUMMARY**

This chapter has presented the analysis of all the remaining twenty terms. A discussion of the definition synthesis process, presentation of the questionnaire results, and the proposed definitions based on the questionnaire results were included. The following chapter will present conclusions and recommendations.



## **IV. CONCLUSIONS AND RECOMMENDATIONS**

### **A. INTRODUCTION**

This chapter offers conclusions and recommendations regarding the effort undertaken in this thesis and ways to improve future research in this area. Also included within the chapter are general comments as to the problems and situations encountered during the research effort and methods that were developed to help alleviate those problems. Finally, the research question posed at the beginning of this thesis is answered along with a summary of the chapter. It should be noted that the information presented in this chapter coincides with the "Conclusions and Recommendations" chapter proposed by CPT Richard Florek in his concurrent research effort.

### **B. CONCLUSIONS**

As this is a follow-on to research conducted by LCDR Ryan, general comments will be made concerning the conclusions he drew at the end of his research. Conclusions drawn by this researcher and not addressed by LCDR Ryan will also be discussed.

1. The product of this thesis will add to the body of knowledge which makes up the contracting discipline. [Ref. 1:p. 79]

The terms defined in this thesis, and other theses of this combined effort, comprise the first steps toward establishment of a contracting dictionary which will serve as a foundation for the entire contracting discipline. What must be emphasized

is that these are merely the first steps and that further work is needed in the areas of defining new terms and re-examining completed terms to bring this dictionary to fruition.

2. The observations of questionnaire respondents reflected a concern for the continued development of the contracting discipline. [Ref. 1:p. 79]

Unlike LCDR Ryan, who it appears was very pleased with the number, as well as the overall quality of responses, this researcher was disturbed by the same. Out of 200 questionnaires mailed out, only 37 were returned---a 18.5 percent response rate. The low response rate was unsettling, but the quality of the responses was more disturbing. Of the 37 received, 14 were classified as quality responses, yielding a overall quality response of seven percent.

3. There is not universal agreement concerning the meaning of most contracting terms. [Ref. 1:p. 80]

LCDR Ryan was correct in his conclusion that there is no universal agreement on definitions of contracting terms. There was even disagreement as to whether some terms were actually part of the contracting language.

4. The procedure used in this thesis to achieve consensus on term definitions as used in contracting is valid. [Ref. 1:p. 80]

Once again, the conclusion drawn by LCDR Ryan held true in this thesis effort. The methodology utilized by both researchers can be used to arrive at a consensus for contracting terms. The actual procedure is valid, but some modifications could be made to improve future dictionary efforts; these are outlined in the recommendations.

5. The inclusion of synonyms and antonyms was basically ignored by the respondents.

Most of the respondents included no synonyms or antonyms when reviewing the terms. Those that did demonstrated no logic for their choices.

### C. RECOMMENDATIONS

1. A procedure be established to conduct a second consensus of all definitions in this thesis and any other such effort.

Even though there is a plan to utilize Contract Management magazine to conduct a further scrub of the proposed definitions, another effort should be made to resynthesize the definitions prior to the magazine effort. In this researcher's opinion, input from the magazine article will be minimal; therefore, it will not substantially aid in the synthesis of definitions.

A thesis student should be given the task of conducting this intermediate scrub. Using proposed definitions without going through the research for published definitions and the synthesizing involved, would allow him or her to handle between 100 and 150 words. He or she could handle such a high number of terms because the early work has already been conducted, and the amount of work to be done in examining responses should be much less than the initial researcher encountered. Terms dealt with in this manner would get individual attention; they may not receive this kind of scrutiny in the magazine process.

2. A methodology be established to aid in the synthesis of terms for the questionnaire.

The methodology utilized in this thesis and outlined below should be adopted to assist future researchers in this effort. The first step would be to group terms into the following classifications: a general definition; a definition for the term as used in contracting; and, a definition for the term as used in government contracting. After grouping, each definition would be examined for baseline terms found in a majority of the definitions. After baseline terms had been identified, the definitions within the grouping would be examined to identify single elements, words or phrases that appear in only one or just a few of the definitions. Finally, the researcher would use the baseline terms and the relevant single elements to form a synthesized definition.

3. Establish a standardized questionnaire format that would be utilized by all participants in this research.

This recommendation comes as the result of a problem this researcher encountered when reading the responses provided in the questionnaire. Most respondents made changes to the synthesized definitions by lining through words in the definitions, penning in words, or listing word or phrases on the lines provided. Frequently, no reasoning for the suggested change was provided. Thus, changes which may have been valid, and should have been incorporated into the proposed definition may not have been given as much consideration as they should have received.

A few respondents did explain the reasoning behind their suggested changes. This made the job of judging the validity of the suggestion much easier.

A paragraph, such as the following, should be a required part of the instructions accompanying the questionnaires.

Please review each definition provided for the contracting terms. When reviewing, please feel free to make changes as you deem necessary. This may be done by lining out words or in any other way which will be legible to the researcher. Also, please include in the remarks section a short explanation for the change; this will aid the researcher in understanding your reasoning when reviewing the proposed definition.

4. Adopt the 25 terms defined through consensus as an initial step in the synthesis process. [Ref. 1:p. 81]

Unlike LCDR Ryan, who recommended that his proposed definitions become accepted definitions in the contracting discipline, I would urge that all of the definitions need a further scrub as outlined in the first recommendation above. I strongly believe that there is much to gain by repeating the process.

#### D. RESEARCH QUESTION ANSWER

The primary research question was: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

LCDR Ryan aptly answered this question in his thesis. He stated:

A 100 percent agreement on an exact definition for any given contracting term is not likely to occur, but a definition which represents a consensus can occur with success as demonstrated by the results of this thesis. Definition consensus is realistically achievable in a fixed amount of time utilizing published definitions and glossary "explanations" as the basis for synthesized definitions which can then be subjected to the criticism of a representative body of practitioners. [Ref. 1:p. 83]

Standardized meanings can be found for all of the terms which are part of the contracting vernacular. Though meanings may become "the standard," there will still

be skeptics within the profession who will not voluntarily accept them. Standardization may become a reality, but acceptance of the standard terms will be a major obstacle encountered by those continuing this research effort.

#### **E. GENERAL COMMENTS**

Most of the comments of LCDR Ryan in the General Comments section of his thesis coincide with this researcher's experiences in conducting this research. Highlights that parallel both efforts are discussed below.

1. A weakness of the procedure was highlighted when a respondent would recommend a change to a synthesized definition which contributed to a more concise definition, while a majority of respondents agreed with the synthesized definition. [Ref. 1:p. 84] This situation required relying solely on the judgment and discretion of the author when incorporating such changes.

2. Occasionally the recommended change was compelling in nature in that it addressed a facet of the definition which should have been incorporated in the synthesized definition. [Ref. 1:p. 85] This comment is unlike the above comment in that the recommended change sometimes changed the entire focus of the synthesized definition.

3. LCDR Ryan felt that one of the strengths of this research was in utilizing the NCMA Fellows as a representative subset of the contracting community. The low response rate and the lack of quality responses received from my questionnaire did not substantiate his conclusion. My questionnaire was also mailed to NCMA Fellows, and was accompanied by an endorsement of the survey by NCMA National President, Mrs. Ann Watson. Future researchers may want to tap the knowledge of NCMA members

who are certified as Certified Professional Contracts Managers as opposed to NCMA Fellows.

## **F. SUMMARY**

This chapter offered conclusions, recommendations, and general comments to the thesis effort. It not only addressed the strengths and weaknesses of this research, but also offered changes which can improve any further work on the dictionary.

The effort of this thesis to synthesize contracting terms for a dictionary of contracting terminology was a difficult, but worthwhile, undertaking. The results of this effort, and other like efforts, are vital for maintaining professionalism in the contracting field by providing a useful tool for contracting practitioners, students, and academics alike.

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## **APPENDIX A: PUBLISHED DEFINITIONS**

This appendix presents published definitions of the 25 terms used in the questionnaire and selected related terms.

### ACQUISITION STRATEGY

- "The conceptual basis of the overall plan that a Program Manager follows in program execution. The acquisition strategy encompasses program objectives, direction, and control through the integration of strategic, technical, and resource concerns." [Ref. 2:p. 3-1]

- "The conceptual framework for conducting systems acquisition, encompassing the broad concepts and objectives which direct and control the overall development, production, and deployment of a system. It evolves in parallel with the system's maturation. It must be stable enough to provide continuity but dynamic and flexible enough to accommodate change. It is tailored to fit the needs for developing, producing, and fielding the system." [Ref. 3:p. 2]

- "The conceptual framework for conducting systems acquisition, encompassing the broad concepts and objectives which direct and control the overall development, production, and deployment of a system. It evolves in parallel with the systems's maturation. It must be stable enough to provide continuity but dynamic and flexible enough to accommodate change. It is tailored to fit the needs for developing, producing and fielding the system. Required by OMB Circular A-109 and service directives for virtually all programs." [Ref. 4:p. 2]

### ADMINISTRATIVE CHANGE

- "Unilateral change to a contract, in writing, that does not affect the substantive rights of the parties; e.g., changes in address, funding accounts, etc." [Ref. 5:p. 1]

- "... a unilateral contract change, in writing, that does not affect the substantive rights of the parties (e.g., a change in the paying office or the appropriation data)." [Ref. 6:Part 43.101]

### BASELINE

- "Defined quantity or quality used as a starting point for subsequent efforts and progress measurement." [Ref. 3:p. 6]

- "Defined quantity or quality used as a starting point for subsequent efforts and progress measurement. Can be a technical baseline or cost baseline." [Ref. 4:p. 6]

- "A configuration identification document or a set of such documents formally designated and fixed at a specific time during a configuration items life cycle. Baselines, plus approved changes from those baselines, constitute the current configuration identification." [Ref. 7:p.A-1]

### BASELINING

- "A process whereby all managers involved in a program collectively agree on its specific description, requirements, and funding, and make a commitment to manage the program along those guidelines." [Ref. 8:p. 8]

- "A formal agreement between essential program participants that specifies the critical parameters of a program entering full scale development or production, to include cost, schedule, and performance. Baselineing is a technique used to enhance stability and control cost growth. Once the program is approved, the program manager has authority to manage the program within the specified baseline parameters." [Ref. 9:p. 70]

## CERTIFICATE OF COMPETENCY

- "A written certificate from the Small Business Administration to a Contracting Officer attesting that the SBA has surveyed a given small business and finds them qualified to perform a contract as to capacity and financially, i.e., able to prove the availability of adequate funding to support the work required." [Ref. 10:p. 9]
- "The certificate issued by the Small Business Administration stating that the holder is responsible (with respect to all elements of responsibility) for receiving and performing a specific government contract." [Ref. 8:p. 10]
- "To certify to Government officers, and officers engaged in the sale and disposal of Federal property, with respect to all elements of responsibility, including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity, of any small business concern or group of such concerns to receive and perform a specific Government contract." [Ref. 11:Section 637(7)(a)]
- "Certificate by the Small Business Administration that a small business has the capacity and credit to perform a particular Government contract." [Ref. 12:p. GL-4]
- "If a contracting officer is about to find a small business not responsible, he must refer the matter to the SBA. The SBA, if the circumstances warrant, is authorized to certify to Government procurement officers with respect to all elements of responsibility of any small business concern. Any such certification (called a Certificate of Competency) is binding on the contracting officer." [Ref. 13:p. 3]

## COMMERCIAL ITEM

- "A commercial item (which may be either supplies or services) is of a class or kind that is (1) regularly used for other than government purposes, and (2) sold or traded in the course of conducting normal business operations." [Ref 14:p. B-2]
- "An item, material, component, or system sold to the general public in normal business at prices based on established catalogue or market prices." [Ref. 5:p. 6]
- "An item, including both supplies and services, of a class or kind that is (1) regularly used for other than government purposes and (2) is sold or traded in the course of conducting normal business operations. A commercial item is sold in substantial quantities when the facts or circumstances support a reasonable conclusion that the quantities regularly sold are sufficient to constitute a real commercial market for the supplies or services. An item is sold to the general public if it is sold to other than affiliates of the seller for end use by other than the government." [Ref. 3:p. 9]
- "An end item available on the commercial market, most likely not developed/produced for DOD." [Ref. 4:p. 12]
- "...supplies or services regularly used for other than Government purposes and sold or traded to the general public in the course of normal business operations." [Ref. 6:Part 15.804-3(c)(2)]
- "Usually a standard "bread and butter" product or service of a class or kind which is regularly used for other than Government purposes, and is sold or traded in the course of conducting normal business operations. The Government adds that the item must be sold to the general public in substantial quantities and be based on established catalog or market prices. Items sold only to the Government do not qualify as commercial items." [Ref. 10:p. 10]

- "An item, including supplies and services, of a class or kind regularly used for other than government purposes and sold or traded in the course of normal business operations." [Ref. 8:p. 11]

#### CONFIGURATION MANAGEMENT

- "A discipline applying technical and administrative direction and surveillance to (1) identify and document the functional and physical characteristics of a configuration item, (2) control changes to those characteristics, and (3) record and report change processing and implementation status." [Ref. 15:p. 153]

- "A procedure for applying technical and administrative direction and surveillance to (1) identify and document the functional and physical characteristics of an item or system, (2) control any changes to such characteristics and (3) record and report the change, process, and implementation status. The configuration management process must be carefully tailored to the capacity, size, scope, and phase of the life cycle, nature, and complexity of the system involved." [Ref. 4:p. 13]

- "A procedure for applying technical and administrative direction and surveillance to (a) identify and document the functional and physical characteristics of an item or system, (b) control any changes to such characteristics and (c) record and report the change, process, and implementation status. The configuration management process must be carefully tailored to the capacity, size scope, and phase of the life cycle, nature and complexity of the system involved." [Ref. 3:p. 10]

- "A discipline applying technical and administrative direction and surveillance to (1) identify and document the functional and physical characteristics of a configuration item, (2) control changes to those characteristics, and (3) record and report change processing and implementation status." [Ref. 7:p. A-2]

- "A procedure for applying technical and administrative direction and surveillance to identify and document the functional and physical characteristics of an item or system, control any changes to such characteristics, and record and report the change, process, and implementation status. The configuration management process must be carefully tailored to the capacity, scope, size, and phase of the life cycle, nature, and complexity of the item or system." [Ref. 8:p. 12]

- "A discipline applying technical and administrative direction and surveillance to (1) identify and document the functional and physical characteristics of a configuration item, (2) control changes to those characteristics, and (3) record and report change processing and implementation status." [Ref. 16:p. J-3]

#### CONTRACTOR FURNISHED EQUIPMENT

- "Item of hardware, electrical equipment, or other standard production or commercial item furnished by an associate contractor as designated by the contract." [Ref. 15:pp. 167-168]

- "An item manufactured or purchased by the contractor for inclusion in or support of the system/equipment." [Ref. 7:p. A-2]

- "Separable equipment, components, and other items pertaining to a system in a contractor furnished property which a contractor is required to furnish in order to carry out the requirements of a contract." [Ref. 17:p. 209]

## COST PRINCIPLES

- "The rules for allowance of costs in negotiating cost-reimbursement contracts and making payments thereunder and in pricing all contracts and modifications whenever cost analysis is performed." [Ref. 14:p 3-5]
- "In contract administration, principles that define the basis for allowability, reasonableness and the concepts of allocability of contractor's costs under cost reimbursement contracts and for the negotiation of fixed price contracts." [Ref. 17:p. 219]
- "The regulations which establish rules and policies relating to the general treatment of costs in Government contracts, particularly the allowability of costs." [Ref. 12:p. GL-7]

## COULD COST

- "A cooperative government and industry process of eliminating all non-essential effort (labor, material and other costs) while ensuring at the same time product performance and quality." [Ref. 18:p. 3]
- "A cooperative effort between the government and a contractor aimed at improving the way we do business. It is a way to determine what a system would cost if we could write contracts to minimize the non-value, added work done by a contractor." [Ref. 18:p. 3]

## DEFECTIVE PRICING

- "Result of cost/pricing data which was certified by contractor to be accurate and complete not being so." [Ref. 4:p. 20]

## DEFECTIVE COST OR PRICING DATA

- "Certified cost or pricing data subsequently found to have been inaccurate, incomplete, or noncurrent as of the effective date of the certificate. In this case, the Government is entitled to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective data, provided the data were relied upon by the Government." [Ref. 14:p. B-4]
- "Certified cost or pricing data later found to have been inaccurate, incomplete, or noncurrent as of the effective date of the certificate. In this case, the Government is entitled to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective data, provided the data were relied upon by the government." [Ref. 3:p. 16]
- "Certified cost or pricing data subsequently found to have been inaccurate, incomplete, or nonconcurrent as of the effective date of the certificate." [Ref. 8:p. 18]
- "...cost data or pricing data which, as of the date of agreement on the price of the contract (or another date agreed upon between the parties), were inaccurate, incomplete, or noncurrent." [Ref. 11:Section 2306(d)(1)]
- "Certified cost or pricing data subsequently found to have been inaccurate, incomplete, or noncurrent as of the effective date of the certificate; it entitles the Government to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective data, provided that data were relied upon by the Government." [Ref. 12:p. GL-8]

## ENGINEERING CHANGE PROPOSAL

- "The document which proposes system/equipment changes in accordance with applicable bulletins, regulations, and other directives. A term which includes both a proposed engineering change and the documentation by which the change is described and suggested. The document for proposing any design change to an item, facility, part, and so forth, delivered or to be delivered which will require revision to the contract specifications or engineering drawings, or the documents referenced which are approved or authorized for applicable items under Government contracts." [Ref. 15:p. 259]

- "Proposal which may be originated by either party to a contract (government or contractor). Detailed information is needed to support the proposal and to document the proposed change. An evaluation and analysis of the technical, cost, and schedule effects of implementing the change must be made, and a fair price negotiated with the contractor." [Ref. 3:p. 20]

- "A proposal to the responsible authority recommending that a change to an original item of equipment be considered, and the design or engineering change be incorporated into the article to modify, add to, delete or supersede original parts." [Ref. 4:p. 27]

- "A term which includes both a proposed engineering change and the documentation by which the change is described and suggested." [Ref. 7:p. A-5]

- "A document proposing any design change requiring revision to contract specifications or engineering drawings; may be originated by either party to a contract; requires detailed documentation and an evaluation of technical, cost, and schedule effects." [Ref. 8:p. 20]

- "An alteration in the physical or functional characteristics of a system or item delivered, to be delivered, or under development, after establishment of such characteristics." [Ref. 16:p. J-6]

## FULL AND OPEN COMPETITION

- "All responsible sources are eligible to compete. The standard for competition in contracting. Required in the Department of Defense by the Competition in Contracting Act (1984)." [Ref. 4:p. 33]

- "When used with respect to a contract action, means that all responsible sources are permitted to compete." [Ref. 6:Part 6.003]

- "When used with respect to a procurement, means that all responsible sources are permitted to submit sealed bids or competitive proposals on the procurement." [Ref. 11:Section 403(7)]

## MARKET ANALYSIS

- "Refers to the process of analyzing prices and trends in the competitive marketplace for the purpose of comparing product availability and offered prices against market alternatives and establishing the reasonableness of offered prices." [Ref. 14:p. 7]

- "Involves obtaining the following information, as appropriate: 1) The availability of products suitable, as is or with minor modifications, for meeting the need; 2) The terms and conditions and warranty practices under which commercial sales are made; 3) The requirements of controlling laws and regulations; 4) The number of sales and length of time over which they must occur to provide reasonable assurance that a

particular product is reliable; 5) The distribution and support capabilities of potential suppliers, including alternative arrangements and cost estimates; 6) The potential cost of modifying commercial products to meet particular needs, if required." [Ref. 6:Part 11.004]

- "A sub-division of marketing research which involves the measurement of the extent of a market and the determination of its characteristics." [Ref. 17:p. 562]

### MATERIAL

- "...2) of substantial importance; of much consequence; 3) pertinent or essential; 4) moderate especially in price; not expensive...." [Ref. 21:p. 1185]

### MATERIALITY

- "Refers to (1) the significance of an item of information which could appear, does appear, or does not appear in a financial statement; (2) the measure of worth of an item in relation to other items, or (3) the significance of a condition in relation to the overall scope/perspective placed on the area." [Ref. 3:p. 34]

- "Important; more or less necessary; having influence or effect, going to the merits, having to do with matter, as distinguished from form." [Ref. 19:p. 880]

- "1) the quality or state of being material; 2) something that is material." [Ref. 20:p. 733]

- "1) material nature or quality; 2) something material." [Ref. 21:p. 1185]

### MATERIALS MANAGEMENT

- "Organizational concept in which a single manager has authority and responsibility for all activities principally concerned with the flow of materials into an organization. Purchasing, production, planning and scheduling, incoming traffic, inventory control, receiving and stores normally are included." [Ref. 22:p. 31-19]

- "A confederacy of traditional materials activities bound by a common idea - the idea of an integrated management approach to planning, acquisition, conversion, flow, and distribution of production materials from the raw material state to the finished-product state." [Ref. 23:p. 25]

- "Embraces all functions of acquisition, standards and quality control and surplus property management." [Ref. 5:p. 18]

- "In connection with Government Furnished Property and associated procedures, that property which may be incorporated into or attached to an end-item to be delivered under a contract, or which may be consumed or expended in the performance of the contract. It includes, but is not limited to, raw and processed material, parts, components, assemblies, and frequently small hand tools considered to be expendable and consumed in normal use." [Ref. 10:p. 37]

- "A concept that integrates the flow and control of materials and services beginning with identification of the need and ending after delivery to the ultimate user." [Ref. 24:p. 10]

- "Management as related to the complete life cycle of material flow, from the purchase and internal control of production materials to the planning and control of work in process to the warehousing, shipping and distribution of the finished product." [Ref. 17:p. 567]



## PRICE NEGOTIATION MEMORANDUM

- "The document that tells the story of the negotiation. It is a sales document that establishes the reasonableness of the agreement reached with the successful offeror. It is also the permanent record of the decisions the negotiator made in establishing that the price was fair and reasonable." [Ref. 14:p. B-8]

## PRICE ANALYSIS

- "The evaluation of a specific price submitted by a contractor or other seller on the basis of data independent of that provided by the contractor (such as competing price proposals, prior quotations on similar tasks, published price lists, and independent cost estimates) to determine whether the price is consonant with current market values." [Ref. 15:p. 536]

- "The process of examining and evaluating a prospective price without evaluation of the separate cost elements and proposed profit of the individual offeror whose price is being evaluated. It may be accomplished by a comparison of submitted quotations, a comparison of price quotations and contract prices with current quotations for the same or similar items, the use of rough yardsticks (dollar per pound, for instance), or a comparison of proposed prices with independently developed estimates." [Ref. 3:p. 41]

- "The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit." [Ref. 6:Part 15.801]

- "The process of examining and evaluating a prospective price without evaluation of the separate cost elements and proposed profit (or fee) of the prospective supplier. A method which utilizes certain comparisons and yardsticks, catalogs, and estimates." [Ref. 10:p. 47]

## PROGRESS PAYMENTS

- "Those payments made to contractors as work progresses under a contract on the basis of cost incurred, percentage of completion accomplished, or at a particular stage of completion, and prior to actual delivery and acceptance of contract items." [Ref. 15:p. 557]

- "A payment made as work progresses under a contract on the basis of percentage of completion accomplished, or for work performed at a particular stage of completion." [Ref. 14:p. B-8]

- "A payment made, as work progresses under a contract, on the basis of the percentage of work completed or for work performed at a particular stage of completion." [Ref. 3:p. 45]

- "Payments made to a prime contractor during the life of a fixed-price type contract on the basis of a percentage of his incurred total cost or total direct labor and material costs." [Ref. 4:p. 68]

- "Payments made as work progresses under a contract, upon the basis of costs incurred, of percentage of completion accomplished, or upon a specified stage of completion. Not to be confused with partial payments. A method of contract financing by the Government as an aid to Contractors during contract performance." [Ref. 10:p. 49]

- "A payment made as work progresses under a contract on the basis of percentage of completion accomplished, or for work performed at a particular stage of completion." [Ref. 8:p. 31]

### PROPRIETARY

- "Belonging to ownership; belonging or pertaining to a proprietor; relating to a certain owner or proprietor. Made and marketed by a person or persons having the exclusive right to manufacture and sell such." [Ref. 19:p. 1097]

### PROPRIETARY DATA

- "A much disputed definition generally said by Armed Service Procurement Regulation (ASPR) to mean that data generated by a Contractor which inspection, chemical analysis, reverse engineering, or other close examination will not reveal methods of its make-up, or technique of manufacture, content, etc. Many items which companies mark as "Company Private" or "Company Proprietary" are those items which cannot meet the above criteria but which are "bread-and-butter" items developed at much private expense, or are so labeled to protect them from competition or revelation. The Government does not consider these as true proprietary items." [Ref. 10:p. 50]

- "Information or data which describes technical processes, tools or mechanisms that a business wishes to keep from general public view in order to maintain its competitive position in the market." [Ref. 17:p. 743]

### PROPRIETARY RIGHT

- "An exclusive right of ownership in intellectual property arising by virtue of authorship, invention, or discovery which is capable of protection as a matter of law." [Ref. 15:p. 560]

- "Those rights which an owner of property has by virtue of his ownership." [Ref. 19:p. 1098]

### REASONABLE

- "A very debateable legal term which is based on the exercise of a prudent man's judgement and therefore is open to wide interpretation as to time or other factors in connection with which it is frequently used. What is reasonable to one may not be to another, but may be established through custom or precedence." [Ref. 10:p. 53]

- "Fair, proper, just, moderate, suitable under the circumstances. Fit and appropriate to the end in view. Not immoderate or excessive, being synonymous with rational, honest, equitable, fair, suitable, moderate, tolerable." [Ref. 19:p. 1138]

- "Not extreme or excessive, moderate, fair." [Ref. 20:p. 981]

- "1) agreeable to reason or sound judgement; logical; 2) not exceeding the limit prescribed by reason, not excessive; 3) moderate especially in price; not expensive." [Ref. 21:p. 1608]

### REASONABLE COST

- "A cost is reasonable if, in its nature or amount, it does not exceed what would be incurred by an ordinarily prudent person in the conduct of competitive business." [Ref. 15:p. B-8]
- "Generally, a cost which in nature and amount does not exceed what would be incurred by an ordinary prudent person in the conduct of competitive business." [Ref. 12:p. GL-15]

### RESIDUAL VALUE

- "The scrap value of equipment at the end of the economic life system." [Ref. 4:p. 72]
- "The scrap value of equipment at the end of the economic life." [Ref. 3:p. 48]
- "Value of proceeds (less removal and disposal costs) realized upon disposition of tangible capital asset." [Ref. 17:p. 778]

### RISK

- "The opposite of confidence or assurance; the probability that the conclusion reached as to the contents of a lot (number of defects or defectives or defective range) is incorrect." [Ref. 15:p. 603]
- "An assumption of possible monetary loss or gain in light of the job or work to be done. One of the elements to be considered in the negotiation of a fair and reasonable price, as well as in determining the type of contract under which performance will occur." [Ref. 9:p. B-9]
- "A measurable probability of consequence associated with a set of conditions or actions." [Ref. 3:p. 49]
- "A measurable probability of consequence associated with a set of conditions or actions. Generally, in Department of Defense, risk has a negative connotation- that action must be taken to avoid failure." [Ref. 4:p. 73]
- "The amount of inherent hazard in undertaking a contract considering all performance factors and environments. Risk is said to be maximum on the Contractor performing the fixed-price contract since he must perform at the stated price and often in the face of close competition, changing market and labor conditions, economic stresses etc. Risk decreases materially in the cost-reimbursement type contracts and practically disappears in the Time and Material type contract." [Ref. 10:p. 58]
- "Random, personal, interpersonal technical or environmental event which probable occurrence may strategically, logistically or statistically be calculated or predicted but seldom controlled." [Ref. 17:p. 795]
- "In general the element of uncertainty in an undertaking." [Ref. 19:p. 1193]
- "Risk indicates the expected severity of the non-achievement of an objective. It is the function of the probability of consequential events occurring and the consequences of the event on the objectives." [Ref. 25:p. 9]

### SCRAP

- "Personal property discarded for use and which appears to have no value except for its basic material content. Property that has no reasonable prospect of being sold except for the recovery value of its basic material content." [Ref. 15:p. 612]

- "Material or part that has no value except for its basic material content." [Ref. 22:p. 31-24]
- "Material damaged , defective, or deteriorated to the extent that it has no value except for its basic material content." [Ref. 5:p. 27]
- "Personal property that has no value except for its basic material content." [Ref. 6:Part 45.4501]
- "In property procedures, that property which has no reasonable prospect of being sold except for the recovery value of its basic material content." [Ref. 10:p. 58]
- "Property that has no value except for its basic material content." [Ref. 17:p. 811]

#### TERMINATION LIABILITY

- "The maximum cost the Government would incur if a contract is terminated. In the case of a multiyear contract terminated before completion of the current fiscal year's deliveries, termination liability would include an amount for both current year termination charges and outyear cancellation charges." [Ref. 6:Part 17.101]
- "Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date." [Ref. 17:p. 521]

#### TITLE

- "In real property or in personal property, it is the ownership and possession, or the right to possession, which a person has or obtains in a property." [Ref. 26:p. 261]

## **APPENDIX B: QUESTIONNAIRE**

This appendix presents the questionnaire which was sent out to approximately 200 contracting professionals to help in the formulation of acceptable definitions for the 25 terms selected.

Each of the 25 definitions contained in the questionnaire is a definition synthesized from published sources.

All of the following definitions are synthesized from collected definitions, government regulations, or contracting literature. They are, in the author's opinion, the baselined definitions of the words as they should be applied in the contracting profession. Your participation will become part of the data base which will hopefully provide a consensus on what the precise definition of the words and terms investigated should be.

Please indicate if you agree with the definition or not. If not, provide constructive criticism of the definition offered and if possible provide what your alternative definition is and list any reference which you draw upon to provide that definition. Also add any synonyms or antonyms which you feel would apply. Feel free to utilize these sheets for your comments including the back if you require more room.

The phrases below are not an all-inclusive listing of the proposed dictionary content, but merely a subset of ongoing research to ultimately provide a comprehensive lexicon of acquisition terminology.

### ACQUISITION STRATEGY

The conceptual framework for conducting systems acquisition. Through the integration of strategic, technical, and resource concerns, it encompasses the broad concepts and objectives which direct and control the overall development, production, and deployment of a system. It is developed and tailored to unique circumstances of the program.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### ADMINISTRATIVE CHANGE

A unilateral contract change, in writing, that does not affect the substantive rights of the parties (e.g., a change of address or the appropriation data).

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### BASELINING

A process whereby all managers involved in a program entering full-scale development or production review and approve critical program parameters including cost, schedule, and performance. Once approved, the program manager has the authority to manage the program within the specified baseline parameters.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### CERTIFICATE OF COMPETENCY

A written certificate from the Small Business Administration stating that a small business, with respect to all elements of responsibility (including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity), is able to receive and perform a specific Government contract.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### COMMERCIAL ITEM

Supplies or services regularly used for other than Government purposes and sold or traded to the general public in the course of normal business operations.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### CONFIGURATION MANAGEMENT

A discipline applying technical and administrative direction and surveillance to identify and document the functional and physical characteristics of an item or system, control any changes to such characteristics and record and report change processing and implementation status.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### CONTRACTOR FURNISHED EQUIPMENT

An item manufactured or purchased by the contractor which the contractor is required to furnish in order to carry out the requirements of a contract.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_



### COST PRINCIPLES

The regulations which establish rules and policies relating to the general treatment of costs in Government contracts. Cost Principles define the basis for allowability, reasonableness and the concepts of allocability of contractor's costs under cost reimbursement contracts and for the negotiation of fixed price contracts.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### COULD COST

A concept of contract pricing that involves a cooperative Government and industry effort to minimize or eliminate the non-value, added work done by a contractor.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### DEFECTIVE PRICING

Result of cost or pricing data which were certified by a contractor to be current, accurate and complete but in fact were not. It entitles the Government to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective cost or pricing data, provided the data were relied upon by the Government.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### ENGINEERING CHANGE PROPOSAL

A document which proposes a change in the physical or functional characteristics of a system or item. Requires revision to contract specifications or engineering drawings. Includes both a proposed engineering change and the documentation by which the change is described and suggested.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### FULL AND OPEN COMPETITION

All responsible sources are eligible to compete and submit sealed bids or competitive proposals as required by the procurement.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### GOVERNMENT TITLE

The Government's vested right to the ownership and possession in real or personal property.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## MARKET ANALYSIS

Analysis to measure the extent and nature of a market and determine its characteristics (e.g., product availability, market alternatives, prices, trends).

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## MATERIALITY

The measure of worth or significance of an item in relation to other items.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## MATERIALS MANAGEMENT

An integrated management approach to the complete life cycle of material flow from the raw material state to the finished product state.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## POST NEGOTIATION MEMORANDUM

Documentation of a negotiation which provides a permanent record of the decisions made by the negotiator in determining that the price agreed upon by the Government and the successful offeror was fair and reasonable.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## PRICE ANALYSIS

The process of examining and evaluating a proposed price on the basis of data independent of that provided by the contractor. Performed without evaluation of the separate cost elements and proposed profit (or fee). A method which utilizes certain comparisons and yardsticks, catalogs, and estimates.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## PROGRESS PAYMENT

Payment made to contractors under a contract on the basis of cost incurred, percentage of completion accomplished, or upon a specified stage of completion.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### PROPRIETARY DATA

Data which describes technical processes, tools, or mechanisms that belong to an owner as a result of authorship, invention, or discovery at private expense.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### REASONABLE

Based on the exercise of a prudent person's judgement. Agreeable to reason or sound judgement. Not immoderate or excessive.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### RESIDUAL VALUE

The scrap value of a tangible capital asset at the end of its economic life.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### RISK

The element of uncertainty in an undertaking. It is the function of the probability of consequential events occurring and the consequences of the event on the objectives.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### SCRAP

Material or part that has no value except for its basic material content.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

### TERMINATION LIABILITY

The maximum cost the Government would incur if a contract is terminated.

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SYNONYMS: \_\_\_\_\_

ANTONYMS: \_\_\_\_\_

## **APPENDIX C: PROPOSED DEFINITIONS BASED UPON THE CONSENSUS PROCEDURE**

This appendix presents one of the products of this thesis. These proposed definitions, which were arrived at through a consensus procedure, represent professionally acceptable definitions of the 25 terms.

### **ACQUISITION STRATEGY**

*The conceptual framework for conducting an acquisition. Through the integration of strategic, technical, and resource concerns, it encompasses the broad concepts and objectives which direct and control the overall development, production, and introduction to use of a product or system. It is developed and tailored to unique circumstances of the program.*

- **Synonyms:** *Acquisition planning, acquisition management plan, business strategy plan.*
- **Antonyms:** *Non-strategic, piecemeal acquisitions.*

### **ADMINISTRATIVE CHANGE**

*A contract change (either unilateral or bilateral), in writing, that does not affect the substantive rights of the parties (e.g., a change of address or the appropriation data) or the contract price.*

- **Synonyms:** *Unilateral modification or unilateral supplement, administrative modification.*
- **Antonyms:** *Contract amendments.*

### **BASELINING**

*A process whereby all managers involved in a program entering full-scale development or production, review and approve critical program parameters including cost, schedule, and performance. Once the baseline is approved, the program manager has the authority to manage the program within the specified parameters.*

- **Synonyms:** *Zero basing.*
- **Antonyms:** *None.*

### **CERTIFICATE OF COMPETENCY**

*A written certificate from the Small Business Administration stating that a small business, with respect to all elements of responsibility (including but not limited to capability, competency, capacity, credit, integrity, perseverance, and tenacity), is able to receive and perform a specific Government contract.*

- **Synonyms:** *None.*
- **Antonyms:** *Not responsible.*



### **COMMERCIAL ITEM**

*Supplies or services regularly sold or traded in substantial quantity to the general public in the course of normal business operations.*

- **Synonyms:** *Off-the-shelf, commercial product.*
- **Antonyms:** *Military specific equipment.*

### **CONFIGURATION MANAGEMENT**

*A discipline applying technical and administrative direction and surveillance to identify and document the functional and physical characteristics of an item or system, control any changes to such characteristics and record and report change processing and implementation status.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

### **CONTRACTOR FURNISHED EQUIPMENT**

*An item manufactured or purchased by the contractor which the contractor is required to provide in order to carry out the requirements of a contract.*

- **Synonyms:** *Contractor acquired equipment.*
- **Antonyms:** *Government furnished equipment.*

### **COST PRINCIPLES**

*The principles defining the basis for allowability, reasonableness and the concepts of allocability of contractor's costs under cost reimbursement contracts and for the negotiation of fixed price contracts. They are embodied in regulations which establish rules and policies relating to the general treatment of costs in Government contracts.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

### **COULD COST**

*A concept of contract pricing that involves a cooperative buyer and seller effort to minimize or eliminate the non-value, added work done by a seller.*

- **Synonyms:** *Value engineering, Total Quality Management.*
- **Antonyms:** *Should cost, will cost.*

### **DEFECTIVE PRICING**

*Result of cost or pricing data which were claimed by a contractor or subcontractor to be current, accurate and complete but in fact were not. It entitles the Government to an adjustment of the negotiated price, including profit or fee, to exclude any significant sum by which price was increased because of the defective cost or pricing data, provided the data were relied upon by the Government.*

- **Synonyms:** *Defective cost or pricing data*
- **Antonyms:** *None.*

### **ENGINEERING CHANGE PROPOSALS**

*A document which proposes a change in the physical or functional characteristics of a system or item. It requires revision to contract specifications or engineering drawings, if accepted by the buyer. It includes both a proposed engineering change and its documentation.*

- **Synonyms:** *Class I change, value engineering change proposal.*
- **Antonyms:** *Class II change.*

### **FULL AND OPEN COMPETITION**

*All responsible sources are eligible to compete and submit sealed bids or competitive proposals as required by the procurement.*

- **Synonyms:** *Unrestricted competition.*
- **Antonyms:** *Sole source, limited competition.*

### **GOVERNMENT TITLE**

*The Government's vested right to the ownership and possession of real or personal property. The right of possession may or may not be executed.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

### **MARKET ANALYSIS**

*Analysis which measures the extent and nature of a market and determines its characteristics (e.g., product availability, market alternatives, prices, trends).*

- **Synonyms:** *Market research, market survey.*
- **Antonyms:** *None.*

### **MATERIALITY**

*The measure of worth or significance of an item in relation to other items and/or relevant comparators. Measure can be in terms of the nature of the item or its size.*

- **Synonyms:** *Significance, value, pertinence*
- **Antonyms:** *Immaterial.*

### **MATERIALS MANAGEMENT**

*An integrated management approach to the complete life cycle of an item's material flow from the raw material state to the finished product state.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

### **POST NEGOTIATION MEMORANDUM**

*Documentation of a negotiation which provides a permanent record of the decisions made by the negotiator in determining that the price agreed upon by the buyer and the successful offeror was fair and reasonable.*

- **Synonyms:** *Price negotiation memorandum, PNM, record of contract action.*
- **Antonyms:** *None.*

### **PRICE ANALYSIS**

*The process of examining and evaluating a proposed price on the basis of data independent of that provided by the offeror. It is performed without evaluation of the separate cost elements and proposed profit (or fee). This method uses comparisons of competitive price quotes, prior quotes or contract prices, yardsticks, catalogs, and estimates.*

- **Synonyms:** *Parametric estimating.*
- **Antonyms:** *Cost analysis.*

### **PROGRESS PAYMENT**

*Payment made to a contractor, under other than a cost reimbursement contract, on the basis of cost incurred, or percentage of completion accomplished, or upon a specified stage of completion as applicable.*

- **Synonyms:** *Interim payment.*
- **Antonyms:** *Advance payment.*

### **PROPRIETARY DATA**

*Data which describes technical processes, tools, mechanisms, applications, or private business information that belong to an owner or entity as a result of authorship, invention, or discovery at private expense or through purchased rights.*

- **Synonyms:** *Patent, copyright, license.*
- **Antonyms:** *Public domain.*

### **REASONABLE**

*Based on the exercise of a prudent person's judgment. Agreeable to reason or sound judgment taking into consideration the circumstances. Not immoderate or excessive.*

- **Synonyms:** *Fair, just, reasonable cost.*
- **Antonyms:** *Unreasonable, excessive.*

### **RESIDUAL VALUE**

*The remaining value of a tangible asset at the end of its economic life.*

- **Synonyms:** *None.*
- **Antonyms:** *None.*

**RISK**

*The degree of uncertainty in an undertaking. It is a the function of the likelihood of consequential events occurring and the consequences of the events on the objectives.*

- Synonyms: *Contract cost risk*
- Antonyms: *None.*

**SCRAP**

*Item, thing, or part that has no value except for its basic material content.*

- Synonyms: *Intrinsic value.*
- Antonyms: *Extrinsic value.*

**TERMINATION LIABILITY**

*The maximum cost the buyer would incur if a contract were terminated.*

- Synonyms: *None.*
- Antonyms: *None.*

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